

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----091905Z 100046 /42
O 101515Z MAY 77
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC IMMEDIATE 3770

C O N F I D E N T I A L SECTION 1 OF 4 SEOUL 3827

EXDIS

DEPT PASS: STR FOR WOLFF, AND KELLY. STATE FOR BARRACLOUGH,
COMMERCE FOR ABBUHL AND SHEPHERD, LABOR FOR BLACKMAN, TREASURY RAY.

EO 11652: GDS
TAGS: ETRD, TW, KS, US
SUBJECT: FOOTWEAR NEGOTIATIONS

REF: TAIPEI 2655

TEXT OF DRAFT AGREEMENTS AS OF NOON MONDAY, MAY 9, WITH
ANNOTATIONS, IS AS FOLLOWS:

1. THE GOVERNMENT OF THE (ROC; ROK) WILL APPLY RESTRAINTS
TO EXPORTS TO THE UNITED STATES FROM (THE ROK;ROK) OF NON-
RUBBER FOOTWEAR AS DEFINED IN ANNEX A (HEREINAFTER REFERRED TO
AS "NON-RUBBER FOOTWEAR") A THE LEVELS SET FORTH IN ANNEX B
FOR THE PERIOD BEGINNING (BLANK) 1977 AND ENDING (BLANK).

COMMENT: FOUR-YEAR AGREEMENT COMMENCING WITH ARTICLES EXPORTED
ON AND AFTER JUNE 1, 1977 IS MOST LIKELY. SEE PARA 2 FOR
DETAILS RE OPERATION. ROC REQUESTED PROVISION STATING THAT
AGREEMENT WOULD NOT BE RENEWED. WHILE SUCH A STATEMENT IS
OBVIOUSLY UNACCEPTABLE, WE MAY EXCHANGE SIDE LETTERS IN WHICH
ROC STATES THAT IT WOULD LOOK UNFAVORABLY UPON EXTENSION OF THE
AGREEMENT, AND U.S. WOULD STATE OUR RECOGNITION THAT THE OMA
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SHOULD BE QUOTE A SHORT TERM PROGRAM SUFFICIENT TO ALLOW THE
DOMESTIC INDUSTRY TO BECOME MORE COMPETITIVE UNQUOTE (FROM
PRESIDENT'S DECISION MEMO), AND THAT EXTENSION OF THE
AGREEMENT WOULD REQUIRE RENEGOTIATION (A STATEMENT OF FACT)

2. THE GOVERNMENT OF THE UNITED STATES WILL LIMIT IMPORTS FROM
(ROC, ROK) OF NON-RUBBER FOOTWEAR AT THE LEVELS SET FORTH IN

ANNEX B AS FOLLOWS:

(A) ALL NON-RUBBER FOOTWEAR ARTICLES EXPORTED FROM (ROC/ROK) ON OR AFTER JUNE 1, 1977 WILL BE DENIED IMPORTATION FOR CONSUMPTION BY THE UNITED STATES UNLESS SUCH ARTICLES HAVE BEEN ISSUED AN EXPORT VISA BY THE GOVERNMENT OF (ROC, KOREA)).

(B) THE UNITED STATES WILL PERMIT ALL NON-RUBBER FOOTWEAR ARTICLES EXPORTED FROM (ROC,ROK) PRIOR TO JUNE 1, 1977 TO BE IMPORTED FOR CONSUMPTION WITHOUT AN EXPORT VISA, PROVIDED THAT SUCH ARTICLES ARE ENTERED, OR WITHDRAWN FROM WAREHOUSE FOR CONSUMPTION, PRIOR TO AUGUST 1, 1977, AND PROVIDED FURTHER THAT ALL SUCH ARTICLES IMPORTED FOR CONSUMPTION IN EXCESS OF (BLANK) WILL BE COUNTED AGAINST THE RESTRAINT LEVELS SPECIFIED IN ANNEX B FOR THE FIRST RESTRAINT PERIOD. NON-RUBBER FOOTWEAR ARTICLES EXPORTED FROM (ROC,ROK) PRIOR TO JUNE 1, 1977 MAY BE IMPORTED FOR CONSUMPTION IN THE UNITED STATES ON AND AFTER AUGUST 1, 1977 ONLY IF THEY HAVE BEEN ISSUED AN EXPORT VISA BY THE GOVERNMENT OF (ROC, ROK).

(C) ALL UNITED STATES IMPORTS FOR CONSUMPTION OF NON-RUBBER FOOTWEAR ARTICLES EXPORTED FROM (ROC,ROK) THAT ARE COVERED BY EXPORT VISAS ISSUED PURSUANT TO THIS AGREEMENT, AND ALL UNITED STATES IMPORTS DESCRIBED IN SUBPARAGRAPH (B) ABOVE IN EXCESS OF (BLANK), WILL BE COUNTED AGAINST THE RESTRAINT LEVELS APPLICABLE TO THE RESTRAINT PERIOD IN WHICH THEY ARE EXPORTED.

(D) EXCEPT AS PROVIDED IN PARAGRAPH (BLANK), IN THE EVENT THAT RESTRAINT LEVELS SET FORTH IN ANNEX B ARE REACHED FOR ANY CONFIDENTIAL

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CATEGORY PRIOR TO THE END OF THE RESTRAINT PERIOD, THE GOVERNMENT OF THE UNITED STATES WILL (DENY) (DELAY) FURTHER IMPORTATION IN THE CATEGORY AFFECTED UNTIL AFTER THE END OF THAT RESTRAINT PERIOD.

(E) THE GOVERNMENT OF THE UNITED STATES WILL NOT LIMIT IMPORTS OF NON-RUBBER FOOTWEAR FROM (ROC, ROK) BELOW THE TOTAL RESTRAINT LEVEL SPECIFIED IN ANNEX B.

COMMENT: KOREA INSISTS ON DATE OF EXPORT BASIS AND EXPORT VISA SYSTEM. U.S. DEL BELIEVES SYSTEM SET FORTH ABOVE IS MANAGEABLE. WE MAY ADD TECHNICAL POINTS (A) REQUIRING IMPORTS TO BE ENTERED WITHIN THREE MONTHS AFTER CLOSE OF RESTRAINT YEAR IN ORDER TO BE COUNTED AGAINST LIMITS FOR THAT YEAR (RATHER THAN THE NEXT ONE), SO THAT CUSTOMS CAN CLOSE ITS BOOKS 90 DAYS AFTER RESTRAINT YEAR ENDS; AND (B) ADDING FLEXIBILITY TO COUNT AGAINST THE FOLLOWING YEAR'S RESTRAINT LEVEL IMPORTS THAT ARE NOT ALLOWED TO ENTER IN THE RESTRAINT PERIOD THAT THEY WERE EXPORTED DUE TO FILLING OF THE RESTRAINT

LEVEL.

COMMENT CONTINUED--ROC MAY BE UNABLE TO HAVE VISA SYSTEM IN PLACE BEFORE JULY 1, IN WHICH CASE WE NEVER-THELESS WOULD COUNT AGAINST RESTRAINTS ALL NON-RUBBER FOOTWEAR EXPORTED ON AND AFTER JUNE1, BUT FOR ROC WOULD EXTEND UNTIL SEPTEMBER 1, GRACE PERIOD DURING WHICH IMPORTS COULD ENTER WITHOUT VISAS. EXCEPTION IN FIRST CLAUSE PARA 2 (D) IS REFERENCE TO CARRY-BACK PROVISION.

3. THE GOVERNMENT OF R(ROC, ROK) WILL ASSURE THAT EXPORTS FROM (ROC, ROK) TO THE UNITED STATES DURING EACH HALF OF A RESTRAINT PERIOD WILL NOT EXCEED 60 PERCENT OF RESTRAINT LEVEL FOR ANY CATEGORY SPECIFIED IN ANNEX B, OR OF ANY SUCH SUCH RESTRAINT LEVEL AS ADJUSTED PURSUANT TO PARAGRAPH (BLANK).

NOTE BY OC/T: NOT PASSED ABOVE ADDRESSEES.
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COMMENT: ROC STRONGLY OBJECTS TO THIS PROVISION, AND REQUESTS SUBSTITUTION OF QUOTE BEST EFFORTS UNQUOTE SPACING REQUIREMENT AS STATED IN PARA 11 OF US-ROC BILATERAL TEXTILE AGREEMENT. U.S. DEL. HAS REQUESTED CHANGE OF INSTRUCTIONS TO PERMIT THIS. IF PERMITTED, WE MAY AGREE TO CONSULT IF ROC EXCEEDS 60 PERCENT SPACING. KOREAN AGREEMENT WILL CLOSELY PARALLEL TAIWANESE LANGUAGE.

4. (A) IF IMPORTS FROM (ROC, ROK) IN ANY CATEGORY APPEAR LIKELY TO EXCEED THE RESTRAINT LEVEL FOR THAT CATEGORY, (OR

60 PERCENT THEREOF IN EITHER HALF OF ARESTRAINT PERIOD), THEN THE GOVERNMENT OF THE UNITED STATES WILL ENDEAVOR TO NOTIFY THE GOVERNMENT OF (ROC, ROK).

(B) SHOULD IT BECOME NECESSARY FOR THE GOVERNMENT OF THE UNITED STATES TO (DENY) (DELAY) IMPORTATION IN ANY CATEGORY DUE TO FILLING OF THE RESTRAINT LEVEL, AS MUCH PRIOR NOTIFICATION AS POSSIBLE WILL BE GIVEN TO THE GOVERNMENT OF (ROC, ROK).

COMMENT: HANDLING IN AGREEMENTS OF CLAUSE IN 4 (A) REFERRING TO 60 PERCENT SPACING WILL DEPEND ON TREATMENT OF SPACING PROVISION IN PARA 3.

5. COMMENCING THREE MONTHS PRIOR TO THE END OF THE SECOND RESTRAINT PERIOD, AND ANNUALLY THEREAFTER, THE PARTIES TO THIS AGREEMENT MAY CONSULT WITH RESPECT TO THE POSSIBILITY OF ADJUSTING UPWARD, FOR THE THIRD AND SUBSEQUENT RESTRAINT
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PERIODS, THE RESTRAINT LEVELS SPECIFIED IN ANNEX B. NO SUCH UPWARD ADJUSTMENT WILL BE MADE THAT WOULD PERMIT THE TOTAL NUMBER OF NON-RUBBER FOOTWEAR ARTICLES SUBJECT TO RESTRAINT UNDER THIS AGREEMENT TO EXCEED (BLANK) MILLION PAIRS DURING THE LIFE OF THIS AGREEMENT. IN ANY CONSULTATIONS CONDUCTED PURSUANT TO THIS PARAGRAPH, THE PARTIES SHALL TAKE INTO ACCOUNT, INTER ALIA, THE STATE OF THE UNITED STATES DOMESTIC FOOTWEAR INDUSTRY.

COMMENT: AS PER INSTRUCTIONS, INSERTION OF THIS GROWTH PROVISION DEPENDS ON NUMBERS FINALLY AGREED TA. BLANK IN SECOND SENTENCE IS DESIGNED TO REFER TO MAXIMUM PERMISSIBLE FIGURE UNDER OUR INSTRUCTIONS MULTIPLIED BY NUMBER OF YEARS OF AGREEMENT. ROC INSISTS THAT ITS PERCENTAGE OF GROWTH BE SAME AS THAT OF KOREA, CITING TEXTILE NEGOTIATIONS WHERE ROC AND ROK WERE LATECOMERS BUT GOT NO SPECIAL TREATMENT REGARDING GROWTH. HOWEVER, ROC ALLOWS POSSIBILITY FOR GIVING KOREA MORE GROWTH IN BEGINNING IN VIEW OF KOREA'S FASTER GROWTH RATE.

6. THE GOVERNMENT OF (ROC, ROK) WILL SUPPLY THE GOVERNMENT OF THE UNITED STATES WITH MONTHLY REPORTS ON ACTUAL AUTHORIZED EXPORTS AND ITS PERCENTAGE OF YEARLY AUTHORIZED EXPORTS TO THE UNITED STATES OF NON-RUBBER FOOTWEAR, NO LATER THAN THIRTY DAYS AFTER THE END OF EACH MONTH. OFFICIAL MONTHLY CUSTOMS EXPORT STATISTICS ON EXPORTS TO THE UNITED STATES WILL BE SUPPLIED PROMPTLY BY THE GOVERNMENT OF (ROC, ROK) AS THEY BECOME AVAILABLE.
THE GOVERNMENT OF THE UNITED STATES WILL SUPPLY THE GOVERNMENT OF (ROC, ROK) WITH MONTHLY REPORTS ON IMPORTS BY PRINCIPAL COUNTRY OF ORIGIN WITHIN THIRTY DAYS OF THE END OF EACH MONTH.

7. EITHER GOVERNMENT MAY REQUEST CONSULTATIONS ON ANY MATTERS ARISING FROM THE PROVISIONS OF THIS NOTE. SUCH CONSULTATIONS WILL TAKE PLACE AT A MUTUALLY CONVENIENT TIME NOT LATER THAN THIRTY DAYS FROM THE DATE ON WHICH SUCH REQUEST IS MADE, UNLESS OTHER-WISE MUTUALLY AGREED.

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8. IF THE GOVERNMENT OF (ROC, ROK) CONSIDERS THAT, AS A RESULT OF THE APPLICATION OF THE PROVISIONS OF THIS NOTE, (ROC, ROK) IS PLACED IN AN INEQUITABLE POSITION VIS-A-VIS THIRD COUNTRIES IN RESPECT OF EXPORTS TO THE UNITED STATES OF NON-RUBBER FOOTWEAR, THE GOVERNMENT OF (ROC, ROK) MAY REQUEST CONSULTATIONS WITH THE GOVERNMENT OF THE UNITED STATES.

COMMENT: BOTH ROC AND ROK ORIGINALLY OBJECTED TO GENERALITY OF THIS EQUITY CLAUSE, AND HAVE REQUESTED GUARANTEED MARKET SHARES, (CITIN SPECIALTY STEEL AGREEMENT) BUT NOW APPEAR LIKELY TO ACCEPT THIS FORMULATION. PROBABLE AGREED MINUTE WILL STATE QUOTE THE GOVERNMENT OF THE UNITED STATES WILL TAKE APPROPRIATE REMEDIAL MEASURES IN THE EVENT THAT IT IS AGREED THAT UNITED STATES IMPORTS OF NON-RUBBER FOOTWEAR FROM THIRD COUNTRIES HAVE INCREASED RAPIDLY TO THE DISADVANTAGE OF (ROC, ROK) PRODUCERS UNQUOTE.

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9. (A) THE GOVERNMENT OF (ROC, ROK) AGREES THAT THERE WILL NOT, AS A RESULT OF THIS AGREEMENT, BE DISRUPTIVE SHIFTS, IN THE NORMAL PATTERN OF TRADE BY TYPE AND PRICE CATEGORY OF NON-RUBBER FOOTWEAR. THE UNITED STATES RESERVES THE RIGHT

TO TAKE APPROPRIATE REMEDIAL ACTION REGARDING THIS SUBPARAGRAPH PRIOR TO AND DURING ANY CONSULTATIONS REFERRED TO IN PARAGRAPH (C) BELOW.

(B) THE GOVERNMENT OF (ROC, ROK) ASSURES THAT THERE WILL NO, AS A RESULT OF THIS AGREEMENT, BE DISRUPTIVE SHIFTS INTO EXPORTS TO THE UNITED STATES OF FOOTWEAR ARTICLES NOT COVERED BY THIS AGREEMENT. THE GOVERNMENT OF (ROC, ROK) FURTHER ASSURES THAT THERE WILL NOT, AS A RESULT OF THIS AGREEMENT, BE DISRUPTIVE SHIFTS INTO EXPORTS TO THE UNITED STATES OF SHOE UPPERS PROVIDED FOR IN TSUSA ITEMS 791.20, 791.25 (AND OTHER ITEMS).

(C) IN THE EVENT THAT THE GOVERNMENT OF THE UNITED STATES CONSIDERS THAT DISRUPTIVE SHIFTS DESCRIBED IN (A) OR (B) HAVE OCCURRED, IT MAY INITIATE CONSULTATIONS WITH A VIEW TOWARD THE PROMPT RESOLUTION OF SUCH PROBLEMS.

COMMENT: AGREED MINUTE MAY STATE THAT AN EXAMPLE OF DISRUPTIVE SHIFTS OF THE TYPE REFERRED TO IN PARA 9 (A) ARE THOSE NOT REFLECTIVE OF MARKET TRENDS (ROK IS CONCERNED THAT PARA NOT PREVENT THEM FROM FOLLOWING NATURAL CHANGES IN DEMAND). U.S. DEL TO CONSIDER POSSIBLE
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FURTHER REDRAFTING OF PARA 9 IN ROC AGREEMENT TO COVER POSSIBLE DISRUPTIVE SHIFTS FROM VINYL TO POLYURETHANE FOOTWEAR, PARTICULARLY UPGRADING FROM CHEAPEST VINYL TO MORE STYLISH (E.G. \$3 PER PAIR) POLYURETHANE, IF CATEGORIES BASED ON MATERIALS RATHER THAN PRICE BREAKS REMAIN IN ROC AGREEMENT AS DESCRIBED REFTEL. U.S. WOULD HAVE UNILATERAL RIGHT TO ACT IN THIS CASE.

10. - KOREA. THE RIGHTS UNDER ARTICLE XIX (3) (A) OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE, IF INVOKED BY THE GOVERNMENT OF KOREA AFTER THE TERMINATION OF THE EFFECTIVENESS OF THIS NOTE, WILL NOT BE EXERCISED WITH RESPECT TO MEASURES TAKEN BY THE UNITED STATES PURSUANT TO THIS NOTE PRIOR TO SUCH TERMINATION.

10. - ROK. ANY RIGHTS OF TRADE RETALIATION THAT THE GOVERNMENT OF THE REPUBLIC OF CHINA MAY HAVE UNDER EXISTING TREATIES OR COMMERCIAL ARRANGEMENTS WILL NOT BE EXERCISED WITH RESPECT TO MEASURES TAKEN BY THE UNITED STATES PURSUANT TO THIS NOTE.

COMMENT: NEITHER ROC NOR ROK HAS OBJECTED TO THIS PROVISION.

11. (A) MUTUALLY SATISFACTORY ADMINISTRATIVE ARRANGEMENTS OR ADJUSTMENTS MAY BE MADE TO RESOLVE PROBLEMS ARISING

OUT OF THE IMPLEMENTATION OF THE PROVISIONS OF THIS NOTE.

(B) THE TWO GOVERNMENTS MAY AMEND THE PROVISIONS OF THIS NOTE IF SUCH AMENDMENTS ARE MUTUALLY AGREEABLE.

COMMENT: REFERENCE TO QUOTE HISTORICAL DEFICIENCIES IN DATA UNQUOTE DROPPED BECAUSE WE NOTED IT WAS DROPPED FROM TV AGREEMENT ON THIS). ALSO WE BELIEVED IT WOULD RAISE MORE PROBLEMS, IN TERMS OF CLAIMS THAT U.S. DATA DEFICIENT, THAN IT WOULD SOLVE IN VIEW OF STRONG POSSIBILITY THAT WE WOULD HAVE TO OBTAIN NEW USITC ADVICE BEFORE REDUCING AGREEMENT COVERAGE.
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12. NO PROVISION OF THIS NOTE WILL BE CONSTRUED AS APPLYING TO PRICES OR PRODUCTION OF NON-RUBBER FOOTWEAR, OR ALLOCATION OF SHIPMENTS AMONG FIRMS BUYING OR SELLING (EXCEPT THAT IT IS RECOGNIZED THAT SUCH ALLOCATIONS MAY BE DEEMED NECESSARY AND THEREFORE DIRECTED BY THE GOVERNMENT OF THE (ROC, ROK) IN ITS IMPLEMENTATION OF THE PROVISIONS OF THIS NOTE).

COMMENT: ROC EXPECTS EXPORT LICENSES TO BE ISSUED BY PRIVATE TRADE ASSOCIATION, UNDER AUTHORIZATION OF ROC GOVERNMENT WHICH WOULD OF COURSE RETAIN RIGHT TO INTERVENE IN ISSUANCE PROCESS. SAME PROCESS FOLLOWED BY ROC IN ISSUING TEXTILE EXPORT VISAS U.S. DEL. BELIEVES ROC GOVERNMENT CONTROL IN SUCH A CASE IS SUFFICIENT TO PREVENT ANTITRUST PROBLEMS, BUT HAS PROMISED TO REPORT BACK ON THURSDAY IF THERE ARE ANY APPARENT PROBLEMS. PLEASE ADVISE IMMEDIATELY IF YOU SEE ANY. KOREA MAY ALSO ALLOW EXPORT LICENSES TO BE ISSUED BY PRIVATE TRADE ASSOCIATION.

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13. EITHER GOVERNMENT MAY TERMINATE THE PROVISIONS OF THIS NOTE BY GIVING SIXTY DAYS' WRITTEN NOTICE TO THE OTHER GOVERNMENT.

14. THE FOREGOING PROVISIONS OF THIS NOTE WILL BE IMPLEMENTED BY THE TWO GOVERNMENTS IN ACCORDANCE WITH THE LAWS AND REGULATIONS APPLICABLE IN THEIR RESPECTIVE COUNTRIES.

ANNEX A. - THE FOLLOWING ITEMS FROM THE TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (AS REVISED MAY 1, 1976) CONSTITUTE NON-RUBBER FOOTWEAR COVERED BY THE PROVISIONS OF THIS NOTE:

FOOTWEAR PROVIDED FOR IN ITEMS 700.05 THROUGH 700.85, INCLUSIVE (EXCEPT ITEMS 700.51, 700.52, 700.53, 700.54, 700.60 AND DISPOSABLE FOOTWEAR DESIGNED FOR ONE-TIME USE PROVIDED FOR IN ITEM 700.85), OF THE TARIFF SCHEDULES OF THE UNITED STATES (TSUS).

ANNEX B. - SETTING FORTH THE CATEGORIES, RESTRAINT LEVELS, AND RESTRAINT PERIODS, IS CHANGING ALMOST HOURLY. THE FOLLOWING THREE PARAGRAPHS HAVE SO FAR BEEN HELD OUT OF THE DRAFTS GIVEN TO THE ROC AND ROK, FMR TACTICLAL PURPOSES BECAUSE THEY REPRESENT U.S. CONCESSIONS:

I. (A) THE RESTRAINT LEVELS SPECIFIED IN ANNEX B FOR EACH CATEGORY MAY EXCEEDED IN A RESTRAINT PERIOD BY NO MORE THAN (2 PERCENT OF THE TOTAL RESTRAINT LEVEL)
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OR (10 PERCENT OF THE RESTRAINT LEVEL FOR THE CATEGORY IN WHICH THE RESTRAINT LEVEL IS EXCEEDED) APPLICABLE TO THAT PERIOD, PROVIDED THERE IS AN EQUAL REDUCTION IN THE LEVEL OF ARTICLES RESTRAINED FOR ONE OR MORE OTHER CATEGORIES IN THE SAME RESTRAINT PERIOD.

(B) (FOR ROK AGREEMENT ONLY) THE RESTRAINT LEVEL SPECIFIED IN ANNEX B FOR ARTICLES VALUED AT NOT MORE THAN \$5.00 MAY BE EXCEEDED IN A RESTRAINT PERIOD, PROVIDED THERE IS AN EXUAL REDUCTION IN THE LEVEL OF ARTICLES RESTRAINED FOR ONE OR MORE OTHER SUBCEILINGS IN THE SAME RESTRAINT PERIOD.

II. (A) IN THE EVENT A SHORTFALL OCCURS WITH RESPECT TO A RESTRAINT LEVEL AS DEFINED IN ANNEX B FOR AN ANNUAL PERIOD, CARRY-OVER MAY BE MADE TO THE NEXT ANNUAL RESRRRAINT PERIOD UP TO 5 PERCENT OF THAT RESTRAINT LEVEL IN THE PREVIOUS PERIOD, BUT NOT IN EXCESS OF THE ACTUAL SHORTFALL. SHORTFALLS IN ONE CATEGORY MAY NOT BE APPLIED TO ANY OTHER CATEGORY.

(B) IF IN ACCORDANCE WITH PARA 6, PART OF A BASE LEVEL OF ANY CATEGORY HAS BEEN REALLOCATED TO THE BASE LEVEL OF THE OTHER CATEGORY, SUCH AMOUNT WILL NOT BE CONSIDERED A SHORTFALL AND HENCE WOULD NOT BE AVAILABLE FOR CARRYOVER.

(C) THE RESTRAINT LEVELS FOR EACH CATEGORY SUBCEILING MAY BE EXCEEDED BY NOT MORE THAN 2 PERCENT IN ANY ONE RESTRAINT PERIOD. ANY RESTRAINT LEVEL THAT IS EXCEEDED IN ONE RESTRAINT PERIOD WILL BE REDUCED FOR SUBSEQUENT RESTRAINT PERIOD BY THE AMOUNT BY WHICH IT WAS EXCEEDED.

III. (FOR ROK AGREEMENT ONLY) SHOULD EITHER GOVERNMENT

DETERMINE THAT THE EXTENT OF INFLATION HAS UNDERMINED THE EFFECT OF THE CATEGORIES, THAT GOVERNMENT MAY INITIATE CONSULTATIONS ON WHETHER OR NOT ADJUSTMENTS IN SUCH CATEGORIES ARE APPROPRIATE.
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IN ADDITION, WE WILL PROPOSE SIDE LETTERS IN WHICH USG WOULD EXPRESS OUR UNDERSTANDING THAT ROC AND ROK WOULD, IN ADMINISTRATION AND ALLOCATION OF EXPORT VISAS, TAKE INTO ACCOUNT THE INTERESTS OF SMALLER U.S. IMPORTERS. ROC AND ROK WOULD CONFIRM ACCURACY OF OUR UNDERSTANDING.

WOULD APPRECIATE REACTION TO PROPOSED DRAFT, IF POSSIBLE BY COB MONDAY, WASHINGTON TIME.
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